

FDIC State Profile

Fall 2005

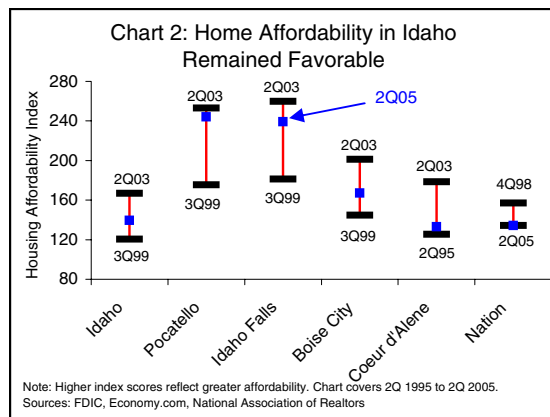
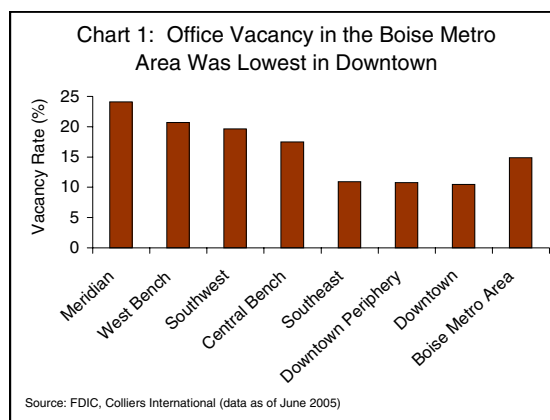
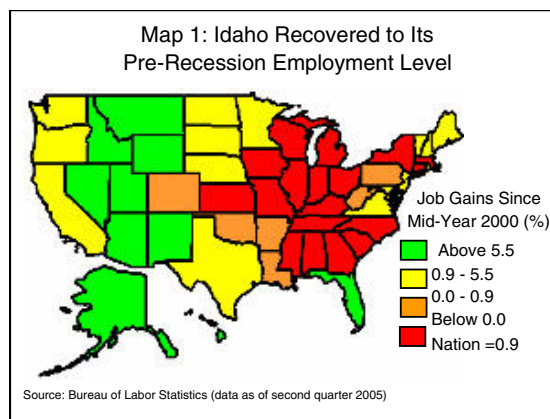
Idaho

Idaho endured some recession-related job losses but now faces a bright future.

- Idaho lost about 5,000 jobs (primarily in manufacturing) during and after the 2001 recession. While the state as a whole recovered quickly and surpassed its pre-recession employment peak by mid-2002 (see Map 1), the manufacturing sector only recently began adding jobs and remained well below pre-recession levels.
- Job gains in the government sector were instrumental to Idaho's quick recovery. However, construction, and professional and business services recently led job gains, balancing the continued manufacturing weakness.
- Annual job growth accelerated in early 2005 because of strong construction job gains.
- Forecasts indicate continued strength for job growth through the remainder of 2005, but moderation in 2006.
- Recent hurricanes likely will have indirect implications for the Idaho economy. Post hurricane reconstruction in the Southeast may create labor and construction supply pressures. Moreover, energy price increases may have some adverse effects on consumer demand, including travel and tourism.

Idaho employment gains drove improving commercial real estate (CRE) conditions.

- Boise office vacancies declined through June 2005 (see Chart 1).¹ Rents in class "A" properties have recovered faster than the "B/C" properties.^{2,3}
- CRE loans continued to climb at Idaho-based institutions, particularly construction and development (C&D) loans. At second quarter 2005, insured institutions in Idaho ranked eighth in the nation for concentrations of CRE to Tier 1 capital.
- C&D loans grew 60 percent in the year ending June 2005. Idaho now ranks fourth in the nation with a median C&D to Tier 1 capital ratio of 114 percent.



¹According to Colliers International.

²Ibid.

³Class "A" properties are generally newer with better quality construction and location.

State Profile

House prices took off as speculative activity boomed.

- Second quarter home prices rose over 12 percent on an annual basis in Idaho, compared to over 13 percent nationally; and grew more than 28 percent in **Coeur d'Alene**.⁴ Second quarter housing affordability remained favorable throughout most of Idaho (see Chart 2).⁵
- In first half 2005, residential mortgage activity in the state of Idaho was characterized by active levels of investor participation, even among non-prime borrowers. For example, more than 38 percent of Alt-A (low documentation) Idaho mortgages were to investors or second home purchasers compared to over 24 percent for the nation.⁶ However, innovative (option ARM and interest only) mortgages accounted for 35 percent of subprime and Alt-A mortgages securitized in Idaho compared to 42 percent for the nation.⁷

Bankruptcy filings are on the radar.

- Second quarter personal bankruptcy filings in Idaho spiked 10 percent year-over-year because of pending bankruptcy law changes. Filings also remained higher than the national rate on a per capita basis and significantly exceeded pre-recession levels (see Chart 3).
- Consumer loan delinquencies at Idaho institutions were at historical lows. However, should interest rates rise or hurricane-related energy price hikes persist, institutions could see an uptick in consumer delinquencies.

Earnings and efficiency ratios improved.

- Widening margins benefited second quarter pre-tax earnings and efficiency ratios among Idaho-based institutions (see Chart 4).⁸ Lower provision expenses helped offset rising overhead costs and lower securities gains.
- The median efficiency ratio (the share of net operating revenues absorbed by overhead expenses) at Idaho institutions improved year-over-year and compared favorably to the nation. Although recent improvements stemmed from margin expansion rather than overhead declines, Idaho-based banks have significantly enhanced operating efficiencies since mid-2001 when prior branching activity and declining interest rates weighed on performance.

Idaho institutions reported strong credit quality.

- Although past-due CRE loans increased, Idaho institutions reported one of the lower total past-due loan levels in the nation. Improving economic conditions, low interest rates, and strong loan growth aided credit quality.
- Despite robust loan growth, loan loss reserves in relation to total loans improved in second quarter 2005 and remained above the national level (see Chart 5).

Chart 3: Idaho Personal Bankruptcy Filings Continued to Increase in Second Quarter 2005

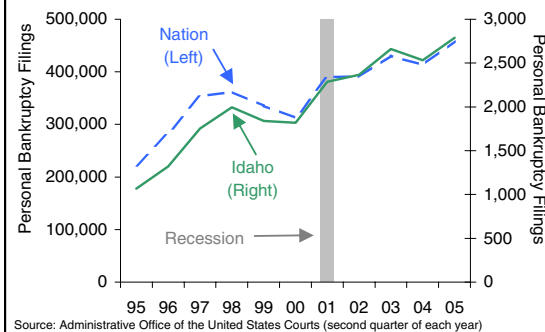


Chart 4: Stronger Net Interest Income Offset Rising Overhead to Help Idaho Efficiency Ratios

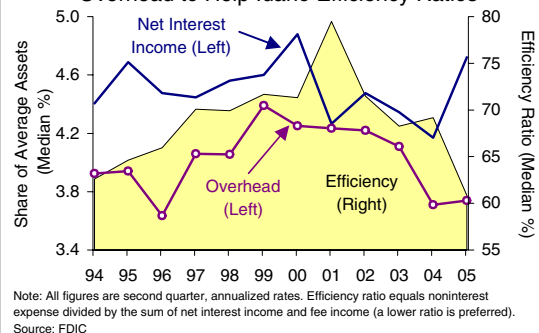
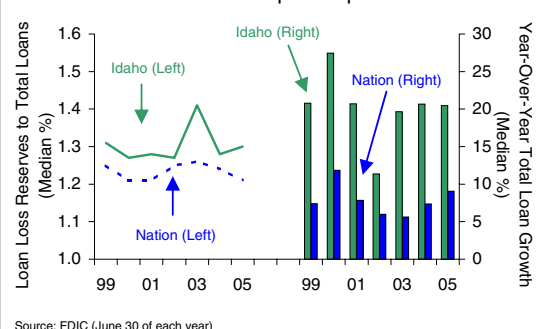


Chart 5: Reserve Levels Were Above the Nation at Idaho Institutions Despite Rapid Loan Growth



⁴According to Office of Federal Housing Enterprise Oversight data.

⁵According to Economy.com and National Association of Realtors.

⁶Based on LoanPerformance data.

⁷Ibid.

⁸The efficiency ratio equals noninterest expense (overhead) divided by the sum of net interest income and noninterest income.

Idaho at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	3.4%	3.0%	3.0%	2.6%	0.7%
Manufacturing (10%)	1.5%	0.1%	-0.5%	-0.7%	-4.6%
Other (non-manufacturing) Goods-Producing (8%)	11.1%	8.4%	10.2%	8.0%	0.3%
Private Service-Producing (63%)	3.2%	3.2%	3.4%	3.1%	1.6%
Government (19%)	1.8%	2.2%	1.0%	1.1%	0.8%
Unemployment Rate (% of labor force)	3.9	4.2	4.8	4.8	5.3

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	7.1%	8.0%	9.2%	7.9%	2.5%
Single-Family Home Permits	27.4%	47.6%	20.6%	15.5%	23.3%
Multifamily Building Permits	2.3%	-2.4%	-3.1%	0.4%	-4.1%
Existing Home Sales	N/A	24.5%	24.6%	15.9%	7.4%
Home Price Index	12.9%	11.6%	6.4%	7.8%	4.2%
Bankruptcy Filings per 1000 people (quarterly annualized level)	7.98	6.47	7.44	6.85	6.91

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	17	17	18	17	18
Total Assets (in millions)	6,061	5,653	5,084	5,462	4,728
New Institutions (# < 3 years)	0	0	0	0	1
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	0.85	0.96	1.17	0.77	1.04
ALLL/Total Loans (median %)	1.30	1.31	1.28	1.25	1.36
ALLL/Noncurrent Loans (median multiple)	6.59	7.18	3.91	3.76	3.49
Net Loan Losses / Total Loans (median %)	0.03	0.01	0.03	0.08	0.11

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	8.86	9.18	8.33	9.06	8.42
Return on Assets (median %)	1.24	1.21	1.04	0.99	0.98
Pretax Return on Assets (median %)	1.90	1.81	1.54	1.51	1.53
Net Interest Margin (median %)	5.21	4.94	4.64	4.69	4.65
Yield on Earning Assets (median %)	6.61	6.38	5.93	5.96	6.23
Cost of Funding Earning Assets (median %)	1.70	1.59	1.52	1.59	1.56
Provisions to Avg. Assets (median %)	0.15	0.20	0.23	0.20	0.26
Noninterest Income to Avg. Assets (median %)	1.03	0.93	1.06	0.95	1.25
Overhead to Avg. Assets (median %)	3.74	3.48	3.71	3.52	4.01

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	73.5	72.4	70.2	71.8	71.7
Noncore Funding to Assets (median %)	19.4	20.2	19.4	21.4	18.1
Long-term Assets to Assets (median %, call filers)	11.5	13.0	17.7	13.4	19.3
Brokered Deposits (number of institutions)	8	8	8	8	7
Brokered Deposits to Assets (median % for those above)	4.0	3.6	4.3	3.2	3.6

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	160.2	157.4	161.5	154.4	163.1
Commercial Real Estate	367.8	357.5	311.6	329.7	271.9
<i>Construction & Development</i>	114.3	116.1	87.1	114.0	75.2
<i>Multifamily Residential Real Estate</i>	3.6	3.6	3.5	3.8	1.7
<i>Nonresidential Real Estate</i>	199.5	207.6	209.3	196.0	197.8
Residential Real Estate	110.8	114.1	125.2	119.8	129.9
Consumer	41.2	47.2	56.9	48.5	52.2
Agriculture	60.4	53.6	73.1	50.1	53.4

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Boise City-Nampa, ID	20	5,637	< \$250 million	7 (41.2%)
Coeur d'Alene, ID	14	1,271	\$250 million to \$1 billion	10 (58.8%)
Idaho Falls, ID	11	941	\$1 billion to \$10 billion	0 (0%)
Lewiston, ID-WA	9	620	> \$10 billion	0 (0%)
Pocatello, ID	11	548		